

learning and relationship building. The sense of belonging and connectedness that global and regional conferences create among small and big players has proven to be valuable and significant in promoting the body of Christ in CMED. Training workshops on topical issues held during these conferences and the formation of regional/national CMED networks contribute to the strengthening of organizational capacity.

Direct technical assistance and consultancy services

There is a widespread need for conceptual articulation, feasibility studies, designing strategic business plans, human resources development, board development, tools and impact assessment among beginner CMED organizations. CTIRC provides direct technical assistance and consultancy services to such CDOs to meet specific needs.

Advocacy

CTIRC engages in lobbying and advocacy activities on issues that affect the CMED industry on national, regional and global levels in conjunction with other players. CTIRC lobbies for more favourable

macro-economic and socio-cultural environment to promote CMED. Advocacy activities are conducted both in writing and direct dialogue with concerned authorities and policy makers.

Website management for global CMED network

CTIRC has a website (<http://www.ctirc-cmed.org>) to provide resource materials and up-to-date news and information on global CMED activities. The site includes: Directory of CMED practitioners, and supporters; e-library of CTIRC resource materials for viewing and downloading; forum for posting announcements, questions and answers, prayer requests; links listing other helpful websites.

Other activities

CTIRC also undertakes studies and development of tools to help CDOs tackle issues related to CMED and HIV/AIDS, persecuted churches in the 10.40 Window and other development issues to help CDOs operate and perform more safely and effectively within their given context.

Critical Success Factors for Microenterprise Development in Africa: An overview

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Introduction

The role of microenterprise development (MED), in the reduction of poverty, creation of wealth

and generally in the promotion of social, economic and human development is increasingly being acknowledged both in Africa as well as internationally. Despite some of the challenges faced by the sector, there now appears to be consensus on its potential role in development (Mullei, 2002; Bradbury and Levy, 1995; and

Marsden, 1990).

Critics of microenterprise sector development often view this approach as 'minimalist', that it treats the 'symptoms' rather than the root causes of poverty and underdevelopment in Africa. For example, Marxist and socialist perspectives argue that the root cause of poverty in Africa lies in the unequal ownership and access to capital such as land, that only a small, privileged class controls Africa's vital economic, and human resources whilst the majority have been reduced to mere labourers. In terms of that view, poverty can only be eradicated and development achieved through fundamental reforms and ownership and control of resources by the African people themselves, particularly the grassroots and all other marginalized and underprivileged people.

People have to survive

Whilst recognizing the merits of some of the arguments, particularly the need to empower communities through ownership and access to resources, the reality in Africa is that there is a mass of people who do not own resources, they are not formally employed and as such are marginalized from the system. Furthermore, the post-colonial process of making land, finance and other essential facilities necessary for promoting business is far from being effective. Under such circumstances, MED programmes have emerged as a practical and immediate solution to the challenges of poverty, unemployment and underdevelopment in most African countries. Proponents of MED argue that people have to survive and given the limited capacity of African economies to absorb the marginalized labour force into formal employment it also provides a good training ground for entrepreneurs who are likely to grow into the 'big businesses' of tomorrow. MED should therefore be allowed to operate and be nurtured to grow.

MED is a growing sector in Africa. In view of the high unemployment problems in the region and the barriers to entering formal employment, the microenterprise sector has been growing rapidly in the last few years. It therefore appears that a rapid growth and transformation strategy for the sector would have to get microenterprises to grow and transform into thresholds where they are able to adopt efficient production technologies so as to enable them to increase their

outreach and therefore impact on poverty. Mead (1994) demonstrates the important contribution of small enterprises to employment growth in Southern and Eastern Africa. The International Labour Organization (ILO) has also done a number of studies which show that in Africa, the small enterprise sector is a major employer.

MED has emerged largely due to the failure of the state and other public/private institutions to reach out to the poor. It has also emerged in response to the failure of formal capital and financial markets to provide affordable credit and other financial services to the economically active poor.

The Africa Christian MicroEnterprise Development (ACMED) Network recognizes the potential of this sector in Africa's development and has been established in order to strengthen the capacity of the sector to reach out to the disadvantaged and marginalized and to do so in a sustainable way.

The summary of factors presented below are based on a presentation made by the author at the workshop of ACMED which was held in Kenya on 3-7 February 2003.

Critical factors for successful microenterprise sector development

The following factors are considered critical for successful microenterprise sector development in Africa (Moyo, 2003).

A conducive policy environment

Microenterprise development needs a supportive policy environment in order to succeed. Favourable registration procedures, licensing rules, trading and other business regulations and procedures are required. In most developing regions, including Africa, the microenterprise sector development is often constrained by existing regulatory and other operational practices or guidelines (McPherson, 1996). ACMED will engage in policy advocacy in order to encourage African governments to introduce and implement policy frameworks which promote the MED sector.

Related to the policy environment is also the macroeconomic environment. In countries such as Zimbabwe where inflation has reached 230 per cent per annum due to the political, economic and social crisis in the country, it is extremely difficult for businesses to succeed. This explains

some of the closures of companies, resulting in retrenchment of workers; some are relocating to South Africa, Botswana, Mozambique and other countries in the region. In the case of microenterprise development increasing prices in both local and imported goods and increasing cost of living make production and marketing difficult.

MED organizations need to have a clear vision and mission

Clarity of vision and mission

MED organizations need to have a clear vision and mission. They need to develop strategies which will enable them to focus on their vision and to achieve their goals. MED organizations need to articulate their vision and mission clearly and to develop strategic plans which ensure that they will realize their goals. Poor planning and limited managerial capacity coupled with limited access to finance and markets are some of the major factors affecting the performance of most MED programmes (Kesterton, 1993; Bradbury and Levy, 1995; McCormick et al, 1997).

Capacity for efficiency and increase in outreach

Most micro, small and medium-scale businesses in Africa have limited capacity and this inhibits their growth in terms of outreach or scale, market share, profitability and impact on the communities which they serve. Capacity can be viewed in terms of a number of variables.

Governance

Most microenterprise development institutions are governed by boards of directors. However, most of those boards are ineffective due to lack of clarity of vision and mission, dependency on management, poor mix of, and sometimes absence of, relevant skills. The biggest problem appears to be that of failure to differentiate between the role of the board and management. Conflict arises from what some microenterprise institutions managers term 'excessive interference' of the board on operational issues as this generates hostility and misunderstanding between boards and management. This problem could partly be addressed through adequate board train-

ing and capacity building activities. The problem, however, is that most institutions indicate that they cannot afford to pay for training services and therefore do not improve their skills through those channels.

Management

Another constraint lies in the limited management capabilities in MED as most entrepreneurs are self employed and generally consist of those people who could not find jobs in the formal sector due to their lower levels of qualifications and skills.

Financial management is a serious shortcoming in most small businesses where a majority do not keep books of accounts and an even smaller number have audited accounts. Few also have a legal status and for the many who do not, they cannot access key services such as credit and finance, contracts and affordable input facilities.

Internal systems of control are often underdeveloped and there is no accountability. In the microfinance sector, management information systems are inadequate for the efficient operations of that type of business where close monitoring of the portfolio and good practices are critical.

Quality of products and services

Small enterprises have sometimes been criticized for the poor quality of their products and services and also the lack of consistency and reliability in regard to delivery targets. In Southern Africa, the stone and wood carving (handicraft) industry is a booming industry. However, there have been cases where some businesses in developed countries tried to enter into contractual arrangements with some of the entrepreneurs but decided to cancel them due to failure to deliver on time and also, in some instances, poor quality of the products.

A major drawback for many of the small and micro enterprises lies in the problems they have in marketing their products. Few do advertise their products because of limited resources to do so. In addition, most do not embark on demand analysis prior to developing products. Whilst they are guided by what their immediate community demands, there is no effort for an extensive market analysis or survey and sometimes, even if there is initial demand, consumer tastes do change over time and unless an entrepreneur monitors this, demand patterns may have shifted

whilst the business continues to produce its products.

Strategies for developing successful MEDs in Africa

For MED organizations to succeed, they need to address a lot of the issues related to some of the challenges specified above.

Governments can play an important role

Conducive policy environment

Governments can play an important role in promoting a stable macroeconomic and policy environment which promotes the operations of small businesses. These policies should include price, interest rates, finance and credit policies, registration procedures, and tax policies.

Capacity building programmes for MED

There is a need to develop the capacity of the sector in order to enhance the skills of the entrepreneurs. The ACMED workshop highlighted the need for ACMED to partner with a number of service providers in the region and to link these with their member MEDs so that they can receive appropriate training and technical services.

A central focus for such capacity building will be the need to emphasize the importance of developing demand-driven services for the sector.

Access to finance

Financial institutions in Africa still have a long way to go in terms of providing affordable services to the sector and also in being creative enough to develop products and services for small businesses and to do so in a profitable and sustainable way as some successful microenterprise institutions have demonstrated. Limited access to credit and other financial services is still a major problem for a lot of small to medium scale businesses (Kesterton, 1993 and Marsden, 1990).

Management information systems (MIS)

This is an area in which most MED organizations in Africa are lagging behind, although in the microenterprise sector, a lot of progress has been made, largely due to pressure from the social

investors who largely fund the sector. In order to improve efficiency and outreach, MED organizations will need to embrace and invest in modern, state of the art technologies in their respective fields. There is ample evidence in many regions of the continent to show that indeed small businesses can use modern communications and internet technologies to their advantage.

Pricing

Many MED organizations get this wrong. Best practices in MED thinking argue that MED should be run on business and not along the lines of welfare, that they should ensure that they are profitable and sustainable. In that regard, they have to ensure that they charge prices which can ensure cost recovery and profitability in their operations.

Efficiency

MED organizations will need to operate efficiently and this therefore means that the issues of pricing, cost recovery, profitability, scale of operation, outreach, will be pertinent. In the microenterprise sector, the SEEP network and the World Bank Consultative Group to Assist the Poorest (CGAP) have done a lot of work to identify the important efficiency and sustainability ratios which MFIs have to aim to achieve if they are to become sustainable institutions for the eradication of poverty.

Conclusion

The paper has highlighted some of the major constraints against development of successful MED organizations in Africa. These include the harsh macro and policy environment under which the microenterprise development sector operates: limited access to credit and other financial services, poor managerial and entrepreneurial skills and culture, limited access to markets, poor pricing policies, and poor planning and management practices due to lack of clarity of vision and mission.

In order to address these challenges, organizations such as ACMED will have to embark on a lobbying and advocacy campaign to encourage African governments and other relevant institutions to create a more conducive policy environment for small business. ACMED will also have to develop strategic linkages with social investors who can support its capacity building efforts.

ACMED needs to link up with a number of capacity building organizations and networks in the region and coordinate the delivery of much needed training and technical services for its members.

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Notes

1. The views expressed in this paper are solely those of the author and are not necessarily those of SAMCAF.

Strategies to Equip Christian Organizations and Churches in Africa

with MED Tools, Skills and Knowledge to Effectively Transform People's Lives and Build God's Kingdom: A slide presentation

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